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# KOSOVO DESK ASSESSMENT FOR USAID

**February 17, 2005**

This publication was produced for review by the United States Agency for International Development. It was prepared by Brenda Lee Pearson and Management Systems International.

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## INTRODUCTION

Kosovo has entered into a new phase in its development as a state. The risk for violence aimed at hampering Kosovo's progress toward negotiations about its future is increasing as the expected start of the talks approaches. There are important things that need to be done in order to mitigate the risks of violence and instability, which could potentially spill over into neighboring countries. The tendency of the international community to develop complicated negotiating processes may frustrate many in Kosovo who will fail to understand the processes or see any results in the next 9-12 months.

The United Nations administration (UNMIK), strongly supported by the European Union and NATO, created a set of standards on fiscal transparency, human rights, freedom of movement, return of refugees and other minority-related rights, which Kosovo has to meet by mid-2005 in order to open the way for negotiations on final status. A comprehensive review of standards is due in August. Kosovars could receive theoretically a negative review in that they have made too little progress in achieving the benchmarks agreed to measure their progress in establishing democratic norms. More realistically, pressures have built to the point where the final status of Kosovo must be addressed now, regardless of whatever level Kosovo is at now. A probable time line is that a comprehensive review of the standards procedure will take one to three months. At best, the Kosovars could expect to receive a mixed review and the international community would appoint special envoys to begin status negotiations within a six to nine month period after a technical review of the standards is completed.

The international community must maximize the use of this time to address urgent issues. Many things need to be put into place before Kosovo achieves its independence. The international community as well needs to prepare for the post status follow-on arrangements, in particular security guarantees and economic stimulus. A consensus amongst the international community regarding the shape, form and contours of a new Kosovo has not been reached. There is a real risk that the international partners will fail to consolidate their differing views of how much independence should be given or deserves to be granted.

The final status of Kosovo requires a broad Euro-Atlantic alliance that cannot be driven solely by the United States nor is there any indication that the US wishes to play this role. The US agenda will require broad cooperation at the multilateral and bilateral levels at precisely the moment when more compelling American national interests lie elsewhere. Kosovo presents an opportunity for the United States to demonstrate a US-led success in peace making and peace building in a predominately Muslim country. If insufficient American resources are not devoted to resolving the Kosovo issues, there is a real danger of the entire Balkan region descending into chaos and violence.

## BACKGROUND

American forces entered the province of Kosovo under the auspices of NATO and the United Nations to drive out the Yugoslavian army that was forces' crackdown on independence-seeking ethnic Albanian Muslim civilians. Security Council Resolution 1244, mandating an international administration of Kosovo, visualized a final political settlement within three years

and recognized that Belgrade, which had displaced 700,000 Albanian Kosovars, had lost its right to sovereignty over the province. Ironically, NATO forces in Kosovo (KFOR) after nearly six years are mainly protecting the Serbian minority against the repression of the Albanians.

Kosovo has been run by a United Nations administration (UNMIK) since 1999 that leaves Kosovo's political status undetermined and gives open-ended authority and decision-making to the UN at a cost of about \$1.89 billion according to a January 2005 report by the Congressional Research Services. The United States has a reduced force of some 2,000 troops constituting 15 percent of the U.N.-NATO peacekeepers, pending resolution of the province's final status.

Kosovo was wracked by violence in March 2004 when ethnic Albanian extremists attacked the Serb minority, killing 19 people and injuring another 900. That violence--the worst ethnic rampage since the end of the war--left the U.N. mission in turmoil and devastated hopes among international officials of reconciling the two bitterly divided communities. The status of the province remains unresolved, with Albanians wanting nothing less than full independence, while Serbs hope to preserve at least ceremonial control over the region. During the last five and a half years, the two communities have failed to establish any kind of communication that could serve as a basis for future talks.

There is a growing international consensus that "time is running out in Kosovo." Following the March riots, Secretary General Kofi Annan dispatched Ambassador Kai Eide, an old Balkan hand, to conduct a comprehensive review of the policies and practices of all actors in Kosovo and to prepare recommendations on the way forward. Ambassador Eide's assessment team urged that the lengthy list of "standards" was not replaced with a "dynamic, priority-based standards policy." Mr. Annan's Special Representative Soren Jessen-Petersen observed last August when he arrived in Pristina, "I think there's a limit to how long you can keep a place in limbo."

The sense of urgency regarding Kosovo's final status has gained the attention of many Balkan watchers. A recently released report of the International Crisis Group warned of the distinct possibility of a return to violence and instability if a settlement is not achieved. Kosovo Albanians are anxious over their unresolved status. Kosovo's Serbs distrust the Albanian track record of dealing with minorities and may invite Serbia's armed forces to help them if agreement cannot be reached shortly. The six-member Contact Group (United States, Britain, France, Germany, Italy and Russia), which essentially controls Western involvement in Kosovo, agrees there are four basic elements to a settlement:

- (1) Protection of minority rights.
- (2) A guarantee Kosovo will not be partitioned.
- (3) A solution that does not include making Kosovo part of a greater Albania.
- (4) And independence from Belgrade's rule.

The Crisis Group report suggests the United Nations should appoint a special envoy to consult all interested parties on the form of a settlement and the process for putting it into effect. Immediate attention must be given to a constitution, a rule of law, providing protection of minority rights and enforced by constitutional tribunals headed by international judges and

meeting international standards, and an international monitoring commission to observe and report if new Kosovo back downs on its internationally crafted obligations.

Adding to the uncertainty is the possibility that Kosovo's prime minister, former rebel leader Ramush Haradinaj, could be charged by the U.N. war crimes tribunal in The Hague, Netherlands. Tribunal investigators have interviewed Haradinaj, and several Serbian officials have claimed that an indictment is imminent. If Haradinaj were indicted, it is unclear how ordinary Kosovo Albanians would respond. Security experts predict "manageable" protests but the bigger fear is that a change in leadership could cause a breakdown in the reform program. That in turn could trigger a return to the violence that shook the region last March, when 21 died, dozens of U.N. police and peacekeepers were attacked, and thousands of minority Serbs were driven from their homes by Albanian mobs impatient with the lack of progress toward independence. If, on the other hand, Haradinaj's indictment is suspended due to lack of credible evidence and witnesses, then some of the impetus for accelerated negotiations could dissipate.

## DISCUSSION OF THE ANALYSIS

The subject of Kosovo and the Southern Balkans in general has generated an enormous amount of literature in the past ten years. Much of the material focuses on the question of Kosovo's final status and how that affects changes in borders in the region. This aspect of independence for Kosovo dominates nearly all analyses and projections of whether or not the independence can be achieved without serious bloodshed. Therefore, the following is a distilled summary of the most volatile aspect of the status negotiations and most unpredictable in terms of risk. And, secondly, is a summary of the greatest impediments to economic development and private investment.

Many analysts believe that it will be very difficult for Kosovo to achieve independence without entailing some aspects of partition in northern Kosovo, specifically north of the Ibar River in Mitrovica, where the largest number of ethnic Serbs is concentrated. This risk is high because many in Kosovo and Serbia believe partition is shortcut to a settlement to solving a deeply entrenched stalemate. The reunification of Mitrovica presents the most difficult obstacle to a peaceful achievement of independence. The past six years of inertia have left a festering wound that makes it unlikely that anything can be done in Mitrovica without violence. There are parallel structures supported by Belgrade, and Pristina has no effective control over a significant swath of territory. Someone will have to make the first steps to begin cleaning up the swamp. If Mitrovica is left to the end of the status talks, then the whole process could be unraveled with relatively little effort on the part of extremists who do not want to live in a united, independent Kosovo.

The risk of Belgrade ordering its tanks into this area to ostensibly defend the Serbian minority is quite high. This risk cannot be mitigated until someone offers a vision of what a united Kosovo looks like and then has the ability to uproot and supplant all the parallel structures that dominate North Mitrovica and the municipalities north of the Ibar River. The question of partition is, however, not limited to the North because many ethnic Albanians living in Southern Serbia, specifically the Presevo Valley, would prefer to be part of Kosovo. Although a significant number of Albanians and Serbs (directed by Belgrade) living in Kosovo may generally support the idea of partition, it seems unlikely that they could reach a consensus on Southern Serbia.

The final dissolution of Yugoslavia is also an important factor in examining the potential areas for conflict within Kosovo. Many of the residual effects of the Milosevic era plague the landscape since his regime privatized many of plum state owned enterprises and sold land to his cronies. The thorny question of who owns property, industrial assets and natural resources will greatly determine how quickly Kosovo can get moving economically and whether or not private investment will come.

Related to this problem are the unresolved property claims, particularly by Belgrade and the responsibilities of old Yugoslav debts and liabilities. Belgrade will argue that it deserves a return on investment in public companies while the Albanians in Kosovo will counter that they lost all their hard currencies in the early 1990s and that Belgrade does not pay pensions to Albanians in Kosovo. Lastly, there are about 10,000 Serbs who fled Kosovo and still have not sold their apartments or land. There will be enormous strains on trying to sort through these property and debt disputes and the ethnic Albanians in Kosovo are unprepared for these challenges.

Lastly, the literature that was reviewed in preparation for this Desk Assessment tends to focus a great deal on the diplomatic process of resolving the final status of Kosovo. There are many formulas on offer of how and who in the international community should lead the negotiations but there seems to be relatively little attention being paid to what Kosovo will actually look like when the international community departs. It may very well be that many ethnic Albanians and Serbs in Kosovo simply do not want live together, which is given insufficient attention. In other words, there will be tensions in the dynamics of the international vision for Kosovo and what those living in Kosovo are actually prepared to accept in the long term.

## **IDENTIFICATION OF RISKS**

### **1. Indictment of Prime Minister Ramush Haradinaj Sparks Protest and Violence**

There are two levels of risk that confront Kosovo in the months ahead. The first category relates to the negotiating process, which if derailed could plunge Kosovo into violence and chaos. The second category of risks is the endemic social, criminal, political and economic factors that could act as the catalysts for scuttling diplomatic negotiations. It must be said that there are many criminals in the region that profit from instability and porous borders and they potentially could actively engage in activities that will prevent a peaceful resolution.

The first risk to take into consideration is the possible indictment of Prime Minister Ramush Haradinaj. There are several possibilities: 1) he is not indicted but nor is he exonerated and the sentence is suspended until after status and new elections. 2) Haradinaj is arrested but the international community manages to make the arrest in a smooth and diplomatic way. There would be predictable problems in Peja/Pec and Decan but they are isolated incidents. 3) widespread rioting and violence spread throughout the country and the negotiations are indefinitely postponed.

The arrest of Haradinaj is likely to create a political storm with an unclear sense of who should be the next Prime Minister. It is possible that Haradinaj's political party AAK could pull itself together and appoint a new leader but it seems improbable. A more likely scenario would be that the opposition parties, PDK and ORA, join an all-party coalition and demand that PDK takes the position of prime minister. Crafting a new government coalition would require much

political wrangling, redistribution of ministries and take up a lot of energy where it would best be used elsewhere. Until the Haradinaj issue is resolved, much of Pristina will continue to be in a cloud unable to really move forward. This distraction has essentially drained about three months of effective governing by the new government.

## **2. The Standards Process Fails due to Poor Performance or Violence**

The second risk is that the standards process fails due to poor performance or actual violence. It is unlikely that Kosovo will be judged to have passed all the “standards” tests during the review period. In essence, however, the most important standard is how Kosovo will treat its minorities. All the rest of the “standards” are less important in terms of final status, which gives a bigger opportunity for Belgrade to obstruct the process. As mentioned previously, there are many parallel structures operating in Kosovo and Pristina has a limited writ in parts of the territory.

There are limited human resources in Kosovo due to years of living under a repressive Serbian regime and the limited schooling available to Albanians. The vast majority of the population is undereducated and ill equipped to manage the necessary structures of government. This means that there are a limited number of Kosovars who will have the capacity to fully engage in the standards process if the international community should decide to adopt a strict and narrow interpretation of achievement of standards rather than a more ambiguous passing score for intent or demonstration of progress. It will critically important that the Kosovar government develop a coherent communications strategy to explain each and every step of the standards and status process. The general public and potential troublemakers must believe that progress is being achieved.

## **3. Freedom of Movement for Minorities Cannot Be Guaranteed**

Since the March riots, security in Kosovo has improved appreciably. The country is relatively calm and there has been only one serious inter-ethnic violent incident since March, in June 2004. The weaknesses of the NATO forces deployed in Kosovo, KFOR, have been patched and there is a sense that the international peacekeepers are better prepared. UNMIK, too, benefited from the wake up call and has made important changes in its command structure.

The freedom of movement for the minorities and the returns of displaced persons will determine whether or not Kosovo achieves its desired independence. It is not just a matter of protecting minority population villages, but rather ensuring that the minorities have better living conditions. There are many isolated Serb communities may not be economically viable because of their location. These villages will need capital investment and to develop better relations with their neighbors. At the moment, these Serbian dominated villages receive substantial cash support from Belgrade. Should these funds be cut off they will flee.

The minorities also have an obligation to incorporate themselves into the social fabric of Kosovo. The capital of Kosovo is Pristina, while many Serb minorities continue to follow the lead of Belgrade and are at times used by Belgrade. At some point in time, the Kosovo Serbs must join Kosovo institutions and participate actively in processes in Kosovo rather than in Serbia.



#### **4. Security within Kosovo Deteriorates and Regional Violence Spills-Over**

There still remain, however, great risks that the fragile stability could be easily torn apart.

Kosovo's unresolved status has stymied its ability to develop good relationships with its neighbors. The Kosovars are perceived as the exporters of violence and criminality into the Presevo Valley, Macedonia and Montenegro. Ethnic Albanians from areas bordering Kosovo have potentially conflictual relationships with the non-Albanian neighbors. It is possible that the status negotiations could become derailed due to calculated incidents of violence generated in Kosovo and in neighboring countries. Ethnic Albanian relationships transcend national and administrative borders. In 1997 there were a number of conflicts between the Albanian mafia and various extremist groups in Albania that set off a regional turf war over illegal markets.

#### **5. Economic Development Stalls and Unemployment Grows**

A recent IMF mission to Kosovo in January 2005 stated that the Kosovo government was on the verge of bankruptcy. Kosovo is economically stagnant and potentially contracting on a per capita basis. The reasons for the dire economic outlook are multi-fold. On the one hand, Kosovo has very little to export and the few public enterprises have been so poorly administered that very little profit is returned to the economy. The second factor relates to the fact that there is no control or management of major enterprises and natural resources. UNMIK and the EU have also done an appalling job of overseeing the privatization of public sector companies.

The social demographics in Kosovo are an inverted structure of the population like in Arab countries. Huge social pressures are caused when approximately 45-50,000 young adults enter into the job market each year. Only 5,000 will go to university to obtain a degree. The estimated level of unemployment in Kosovo ranges from 60-70 percent according to UNMIK but the World Bank puts it at 30-35 percent. The unemployment level in Kosovo, however, is a totally different demographic picture than in the rest of the region with equally huge levels of unemployment.

The poor quality of education throughout the country produces young adults who are completely unprepared for joining the labor force. The bad education system produces huge numbers of people who do not finish high school and are still taught by rote methodology that does little to produce practical skills, let alone a workforce. The children are not really taught how to think but are often yelled at and humiliated. The problems are enormous: poor teaching methods, large class sizes and poor facilities.

Lastly, most the skilled of the local labor force are employed by international organizations. A British Council report estimated that more than 80 percent of the qualified English language teachers left their positions to work as translators for international organizations.



## **6. Local Government Reform Fails**

The devolution of powers to the local level has a dual purpose. First, the highly centralized post-Yugoslav structures must become closer to European standards of local self-government and, secondly, the minority communities must be empowered and reassured at the local level. The complexity of decentralization is exacerbated further by the unwillingness of some of the minority populations to engage in constructive dialogue to begin the process.

Decentralization represents a big risk of creating ethnically based local administrations that are financially unsustainable. If the local municipalities are given too many competencies; it will be difficult to check and balance. Also, poor administrative skills could lead to a further deterioration of services and patronage as a means of delivering public services. Lastly, decentralization poses a risk that there will be no real political competition and will perpetuate entrenched power structures outside the capital.

There is also a mixed opinion within the Contact Group as to whether official Belgrade should and to the degree to which Serbia can participate in the process of decentralization of power in Kosovo. A consensus is growing that Belgrade can only assume an advisory role, and that there is no way for it to be directly involved in the process of decentralization of power in Kosovo. Belgrade has isolated itself from the talks by not allowing the Kosovo Serbs to be a part of the working group that deals with decentralization.

## **7. Democratic Institutions Do Not Develop and Criminal Elements Control Power Structures**

At the government level, democratic institutions are functioning well. The two-party government coalition elected on December 3 took office without incident. Prime Minister Haradinaj has exhibited a forceful dynamic leadership that has forced ministers and others to be accountable for their contributions to the standards process. The major problem in Kosovo relates to justice and rule of law. The Kosovars have limited capacity to administer a fair judicial process. For the foreseeable future they will need to rely on the presence of internationals both directly in the international system as judges, prosecutors.

Political parties must become more democratic. They need to move away from creating exclusive networks centered around personalities. The parties will need to open their leadership circles to more input, ideas and people. Professionalism of the parties should bring greater transparency and reduce the space for reliance on funding from illicit sources. Criminals gain political influence from high profit industries like human trafficking, drugs and prostitution and then use their profits to legitimate themselves through public office. Party leadership will need to be more meritocratic and based on policy objectives and goals. To the extent that indigenous Serb political parties can be developed at all, rather than from Belgrade, they will need to build capacity and resources as a way to define their relationships with Belgrade as well as Pristina.

Civil society may have some smart people and lots of ideas but they consistently fail to deliver because they do not understand the political process. Their success in becoming influential will be determined by the extent to which they begin to engage with the current power structures. There is also a risk is that the media continues to fail to hold institutions accountable, due to poor quality journalism, corrupt editors or disinterest. During times of crisis, the media fuels

the flames of nationalism through the networks. On a daily basis the media is not a fourth estate that contributes to checks and balances.

Small minorities, Bosniak, Turks, Roma are organized solely on ethnic lines. They will need to develop a role beyond ethnic identity to ensure a constructive role in society. There is a risk that they will be absorbed into political calculations that exploit their multi-ethnicity but have no ability to deliver any benefits to their communities. They could become completely marginalized as tokens.

## INTERVIEWS

Albright Group, Jim O'Brien, former State Department Official

Ambassador of Macedonia to United States, Nikola Dimitrov

International Crisis Group, James Lyon, Director of Serbia & Montenegro

National Democratic Institute for International Affairs, Robert Benjamin, Director of Europe

National Security Council: Bert Braun, Director for Southeast Europe

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